



DEPARTMENT OF THE NAVY  
OFFICE OF THE UNDER SECRETARY  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

September 30, 1999

The Honorable Albert Gore, Jr.  
President of the Senate  
Washington, DC 20510

Dear Mr. President:

The purpose of this letter is to notify you of our decision to study certain functions performed by military and civilian personnel in the Department of the Navy for possible performance by private contractors.

As the Department seeks ways to improve efficiency and effectiveness, reduce the overall cost of operations and improve business processes, we are fully exploring opportunities for competition initiatives. In accordance with 10 U.S.C. Section 2461, the Secretary of Defense is to notify Congress of any decision to study commercial or industrial type functions performed by 50 or more civilian employees for possible outsourcing and to provide an estimate of the costs and length of each study. To provide you with a more comprehensive overview of our most recent competition initiatives, we are enclosing a list detailing functions both above and below 10 U.S.C. Section 2461 reporting threshold. These initiatives to study the performance of the commercial or industrial type functions by persons who are not civilian employees of the Department of Defense are not the result of constraints or limitations in terms of man years, end strengths, full-time equivalent positions or maximum number of employees. Please note that to ensure we obtain economies of scale, most of the smaller numbers of functions will be consolidated into larger regional or base-wide cost comparisons.

Where required, studies will be performed under the procedures set forth in Office of Management and Budget (OMB) Circular A-76. The military billets listed in the enclosure have been identified for substitution by civilian workers. The A-76 studies in each case will determine whether the function will be contracted out or performed by civilian employees of the Department of the Navy. The Department's estimated cost to study each full-time equivalent position is \$2,000, and the estimated study time for single function studies is 12-18 months and 24-36 months for multifunction studies.

Conversion to commercial contracts will occur only if the cost comparison process reveals that contracting is the most cost-effective method of performing the function. We will notify you by separate correspondence if the competition results in a decision to convert to contract performance.

A similar letter has been sent to the Speaker of the House of Representatives. As always, if I can be of further assistance, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry MacArthur Hultin", is written over the typed name.

Jerry MacArthur Hultin

Enclosure:

1. Competitive Sourcing Announcement

Copy to:

The Honorable John Warner  
Chairman, Committee on Armed Services

The Honorable Carl Levin  
Ranking Minority Member, Committee on Armed Services

The Honorable Ted Stevens  
Chairman, Subcommittee on Defense, Committee on Appropriations

The Honorable Daniel K. Inouye  
Ranking Minority Member, Subcommittee on Defense,  
Committee on Appropriations

**DoN Commercial Activity Study Candidates**  
**Navy FY 1999 Announcement #2**

U.S.						
NAVY ACTIVITY NAME	ST	CongDst	CA FUNCTION NAME	MIL	CIV	TOT
NAVSEA LOGISTICS CENTER	CA	7	SYSTEMS DESIGN SERVICES	0	23	23
NAS LEMOORE	CA	20	BOQ/BEQ	0	7	7
NSWC NAVAL WARFARE	CA	43	ADMIN SUPPORT	0	1	1
NSWC NAVAL WARFARE	CA	43	ADP	0	11	11
NSWC NAVAL WARFARE	CA	43	MAINTENANCE ADP EQUIP	0	2	2
NSWC NAVAL WARFARE	CA	43	SYSTEMS DESIGN SERVICES	0	28	28
NAVAL WEAPONS STATION SEAL BEACH	CA	45 & 39	ADMIN MGMT	1	0	1
MSCPAC	CA	49	OTHER NON MANUFACTURING OPS	0	83	83
FTSCPAC SAN DIEGO	CA	49	ADMIN SUPPORT	2	0	2
FTSCPAC SAN DIEGO	CA	49	DATA SPT	1	0	1
FTSCPAC SAN DIEGO	CA	50	SUPPLY	1	0	1
NAVAL SUPPORT ACTIVITY, WASHINGTON	DC	1	CDC MANAGEMENT	0	2	2
NAVAL SUPPORT ACTIVITY, WASHINGTON	DC	1	FSC ADP&E SUPPORT	0	1	1
NAVAL SUPPORT ACTIVITY, WASHINGTON	DC	1	ADMIN SUPPT	0	2	2
NAVAL SUPPORT ACTIVITY, WASHINGTON	DC	1	CDC ADMIN SUPPT	0	1	1
NAVAL SUPPORT ACTIVITY, WASHINGTON	DC	1	CDC	0	46	46
NAVAL SUPPORT ACTIVITY, WASHINGTON	DC	1	FAMILY SERVICES	0	3	3
NRL	DC	1	AUDIO VISUAL	0	12	12
CHNAV PERS SUPPORT	DC	1	ADMINISTRATIVE SUPPORT	0	4	4
NAS KEY WEST	FL	20	ELEC PLANTS & SYSTEMS	0	8	8
NAS KEY WEST	FL	20	HEATING PLANTS & SYSTEMS	0	1	1
NAS KEY WEST	FL	20	WATER PLANTS & SYSTEMS	0	3	3
NAS KEY WEST	FL	20	SEWAGE & WASTE PLANTS	0	5	5
NAS KEY WEST	FL	20	AIR CONDITIONING & REFRIGERATION	0	10	10
NAVRES PERS CEN NEW ORLEANS	LA	1 & 2	ADMINISTRATIVE SUPPORT	2	150	152
NAVRES PERS CEN NEW ORLEANS	LA	1 & 2	MAIL & FILE	0	9	9
EPMAC NEW ORLEANS	LA	1 & 2	ADMINISTRATIVE SUPPORT	0	12	12
EPMAC NEW ORLEANS	LA	1 & 2	MAIL & FILE	0	4	4
NAS NEW ORLEANS	LA	1 & 2	MWR RECREATION	0	20	20
NAS NEW ORLEANS	LA	1 & 2	MWR CDC	0	14	14
NAS NEW ORLEANS	LA	1 & 2	PEST MANAGEMENT	0	2	2
NAS NEW ORLEANS	LA	1 & 2	TRANSPORTATION	0	7	7
NAS NEW ORLEANS	LA	1 & 2	ACFT REFUELING	0	10	10
NAS NEW ORLEANS	LA	1 & 2	ADP	0	1	1
NAS NEW ORLEANS	LA	1 & 2	PUBLIC WORKS	0	28	28
US NAVAL ACADEMY	MD	1	PEST MANAGEMENT	0	5	5
US NAVAL ACADEMY	MD	1	VEHICLE OPERATIONS	0	28	28
US NAVAL ACADEMY	MD	1	HEATING PLANTS & SYSTEMS	0	21	21
US NAVAL ACADEMY	MD	1	PWD ENGINEERING SVCS	0	11	11
US NAVAL ACADEMY	MD	1	OTHER FAC MGMT	0	15	15
NAVSEA LOGISTICS CENTER	MD	5	ADP	0	1	1
NAVSEA LOGISTICS CENTER	MD	5	SYSTEMS DESIGN SERVICES	0	54	54
NAV EOD TECH DIV (IH)	MD	5	ADMIN SUPPT	0	1	1
NAV EOD TECH DIV (IH)	MD	5	OTHER DR&M	0	6	6
NSWC INDIAN HEAD DIV	MD	5	ADP	0	16	16
NSWC INDIAN HEAD DIV	MD	5	MAINTENANCE ADP EQUIP	0	2	2
NSWC INDIAN HEAD DIV	MD	5	SYSTEMS DESIGN SERVICES	0	16	16
NSWC INDIAN HEAD DIV	MD	5	SYSTEMS DESIGN SERVICES	0	38	38
NAV EOD TECH DIV (IH)	MD	5	MGMT SUPPT	0	1	1
NAV EOD TECH DIV (IH)	MD	5	RDT&E MGMT SUPPT	0	1	1

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NAV EOD TECH DIV (IH)	MD	5	ADP SUPPT	0	3	3
NAV EOD TECH DIV (IH)	MD	5	ADMIN SUPPT	0	1	1
NAV EOD TECH DIV (IH)	MD	5	RDT&E SUPPT	0	5	5
NAV EOD TECH DIV (IH)	MD	5	SUPPLY OPERATIONS	0	3	3
NAV EOD TECH DIV (IH)	MD	5	STORAGE & WAREHOUSING	0	1	1
NAV EOD TECH DIV (IH)	MD	5	AUDIO VISUAL	0	10	10
NAV EOD TECH DIV (IH)	MD	5	ADMINISTRATIVE SUPPORT SERVICES	0	4	4
NAV EOD TECH DIV (IH)	MD	5	ADP MGMT SUPPT	0	1	1
NAV EOD TECH DIV (IH)	MD	5	ADMIN SUPPORT	0	1	1
NNMC BETHESDA	MD	8	MWR	0	35	35
NSWC CARDEROCK DIV	MD	8	ADMIN SUPPORT	0	1	1
NSWC CARDEROCK DIV	MD	8	ADP	0	7	7
NSWC CARDEROCK DIV	MD	8	MAINTENANCE ADP EQUIP	0	4	4
NSWC CARDEROCK DIV	MD	8	SYSTEMS DESIGN SERVICES	0	15	15
NSWC CARDEROCK DIV	MD	8	SYSTEMS DESIGN SERVICES	0	2	2
COMNAVPERSCOM (St. Louis)	MO	1 & 3	RECORDS MANAGEMENT	0	13	13
DISCH NAVPERSRECD SBR ST LOUIS	MO	1 & 3	RECORDS MANAGEMENT	2	0	2
NAVSEA LOGISTICS CENTER	NJ	12	SYSTEMS DESIGN SERVICES	0	2	2
NAVADMIN UN SCOTIA	NY	21	FAMILY SERVICES	1	0	1
NAVICP-P	PA	3,1,2	SYSTEMS DESIGN SERVICES	0	4	4
NAVICP-P	PA	3,1,2	MAINTENANCE & LOG PROG MGMT	0	15	15
NAVICP-P	PA	3,1,2	ACQUISITION EQUIP & WEAPONS	0	10	10
NAVSEA LOGISTICS CENTER	PA	19&17	ADMIN SUPPORT	0	2	2
NAVSEA LOGISTICS CENTER	PA	19&17	ADP	0	1	1
NAVSEA LOGISTICS CENTER	PA	19&17	MAINTENANCE ADP EQUIP	0	3	3
NAVSEA LOGISTICS CENTER	PA	19&17	SYSTEMS DESIGN SERVICES	0	30	30
NAVAL WAR COLLEGE	RI	1	MUSEUM OPERATIONS	0	3	3
NAVAL WAR COLLEGE	RI	1	ADMINISTRATIVE SUPPORT SERVICES	0	24	24
NAVSEA LOGISTICS CENTER	SC	1&6	SYSTEMS DESIGN SERVICES	0	1	1
NAVAL SPACE COMMAND	VA	1	OTHER ADP FUNCTIONS	0	5	5
NAVAL SPACE COMMAND	VA	1	OTHER FUNCTIONS	0	2	2
NAVAL SPACE COMMAND	VA	1	OTHER FUNCTIONS	0	1	1
NAVAL SPACE COMMAND	VA	1	OTHER FUNCTIONS	0	5	5
NAVSEA LOGISTICS CENTER	VA	1	SYSTEMS DESIGN SERVICES	0	5	5
MSCLANT	VA	2&3	OTHER NON MANUFACTURING OPS	0	64	64
MSCLANT	VA	2&3	OTHER NON MANUFACTURING OPS	0	40	40
MSCLANT	VA	2&3	OTHER NON MANUFACTURING OPS	0	24	24
SUBASE BANGOR	WA	1	SECURITY ADMIN SUPPORT	0	4	4
SUBASE BANGOR	WA	1	REFUSE COLLECTION	0	1	1
SUBASE BANGOR	WA	1	VEHICLE OPERATIONS	0	1	1
COMNAVREG NORTHWEST	WA	1	MWR	0	0	0
COMNAVREG NORTHWEST	WA	1	INST SPT	0	5	5
COMNAVREG NORTHWEST	WA	1	ADMIN SUPPORT	0	37	37
COMNAVREG NORTHWEST	WA	1	SOLID WASTE MGMT DIREC	0	1	1
COMNAVREG NORTHWEST	WA	1	VEHICLE OPERATIONS	0	11	11
COMNAVREG NORTHWEST	WA	1	VEHICLE MAINTENANCE	0	10	10
COMNAVREG NORTHWEST	WA	1	UTIL OPS/MAINT	0	3	3
COMNAVREG NORTHWEST	WA	1	SUPPLY OPERATIONS	0	8	8
COMNAVREG NORTHWEST	WA	1	TRANS MGMT	0	2	2
COMNAVREG NORTHWEST	WA	1	INST MGMT	0	9	9
COMNAVREG NORTHWEST	WA	1	PROD MGMT SPT	0	1	1
COMNAVREG NORTHWEST	WA	1	CARGO HANDLING EQUIP	0	7	7
COMNAVREG NORTHWEST	WA	1	ARCHITECT ENG	0	14	14

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COMNAVREG NORTHWEST	WA	1	WATER TRANSPORTATION SERVICES	0	23	23
COMNAVREG NORTHWEST	WA	1	TUG OPS	0	0	0
COMNAVREG NORTHWEST	WA	1	ENGINEERING & TECH SERVICES	0	14	14
COMNAVREG NORTHWEST	WA	1	TELECOMMUNICATION CENTERS	0	20	20
COMNAVREG NORTHWEST	WA	1	OTHER COMM	0	12	12
COMNAVREG NORTHWEST	WA	1	SECRETARY (OA)	0	1	1
COMNAVREG NORTHWEST	WA	1	ADMINISTRATIVE OFFICER	0	1	1
COMNAVREG NORTHWEST	WA	1	TRAIN DEVELOP SPT	0	2	2
COMNAVREG NORTHWEST	WA	1	LEGAL SVCS	0	1	1
COMNAVREG NORTHWEST	WA	1	BUDGET/FINANCIAL	0	61	61
COMNAVREG NORTHWEST	WA	1	MARKETING MANAGER	0	1	1
COMNAVREG NORTHWEST	WA	1	SECURITY ASSISTANT	0	1	1
COMNAVREG NORTHWEST	WA	1	SUPV MGMT SPEC	0	1	1
COMNAVREG NORTHWEST	WA	1	Public Affairs	0	10	10
COMNAVREG NORTHWEST	WA	1	VEHICLE OPERATIONS	0	1	1
COMNAVREG NORTHWEST	WA	1	SECURITY MGMT	0	1	1
COMNAVREG NORTHWEST	WA	1	MGMT SPT	0	1	1
COMNAVREG NORTHWEST	WA	1	BUILD REPAIR	0	25	25
NS EVERETT	WA	2	ADMIN SUPPORT	0	1	1
NS EVERETT	WA	2	ADVERTISING AND PUBLIC RELATIONS	0	1	1
NS EVERETT	WA	2	OTHER INSTALLATION SERVICES	0	1	1
NS EVERETT	WA	2	OFFICE AUTOMATION ASSISTANT	0	1	1
NS EVERETT	WA	2	OFFICE AUTOMATION CLERK	0	1	1
NS EVERETT	WA	2	ENVIRONMENTAL	0	2	2
NASWI	WA	2	MGMT SPT	0	6	6
NASWI	WA	2	ADMIN SUPPORT	0	4	4
NASWI	WA	2	AIRCRAFT MAINT	0	15	15
NASWI	WA	2	AIRCRAFT ENGINES	0	9	9
NASWI	WA	2	TEST/MEASUREMENT	0	1	1
NASWI	WA	2	INSTALLATION SERVICES MGMT SUPT	0	3	3
NASWI	WA	2	ADP SPT	0	1	1
NASWI	WA	2	ADMIN SUPPORT	0	6	6
NASWI	WA	2	PAO	0	2	2
NASWI	WA	2	VEHICLE OPERATIONS	0	1	1
NASWI	WA	2	SUPPLY OPS	0	38	38
NASWI	WA	2	MGMT SPT	0	1	1
NASWI	WA	2	ADMIN SUPPORT	0	4	4
NASWI	WA	2	ACCEPT TEST	0	1	1
NASWI	WA	2	OP LIQUID STORAGE	0	1	1
NASWI	WA	2	CENTRAL ADMIN SPT	0	5	5
NASWI	WA	2	REF TECH LIBRARIES	0	1	1
NASWI	WA	2	INTERNAL MAIL	0	3	3
NASWI	WA	2	HAZARDOUS WASTE	0	1	1
NASWI	WA	2	MGMT	0	1	1
NASWI	WA	2	MGMT SPT	0	1	1
NASWI	WA	2	MGMT SPT	0	1	1
NASWI	WA	2	ADMIN	0	3	3
NASWI	WA	2	PERSONNEL	0	1	1
NASWI	WA	2	LOG MGMT	0	1	1
NAVSTABR	WA	2	ADMIN SUPPORT	0	2	2
NAVSTABR	WA	2	SUPPLY OPERATIONS	0	2	2
NAVSTABR	WA	2	CENTRAL ADMIN SPT	0	9	9
NAVSTABR	WA	2	MGMT SPT	0	1	1

**DoN Commercial Activity Study Candidates**  
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FISC PUGET	WA	6	ADMIN SUPPORT	0:	1:	1
FISC PUGET	WA	6	MANAGEMENT SUPPORT	0:	1:	1
FISC PUGET	WA	6	ADMINISTRATIVE SUPPORT	0:	1:	1
<b>TOTAL US</b>				<b>10</b>	<b>1498</b>	<b>1508</b>

## NAVY OUTSOURCING COMPETITION PROGRAM

### THE COST COMPARISON PROCESS

OMB Circular A-76 dictates use of a structured cost comparison process to determine the most efficient and cost effective way to perform the function undergoing review.

The A-76 process consists of the development of three main items:

1. A performance work statement (PWS) and a quality assurance surveillance plan detailing the performance requirements associated with the function. The PWS forms the basis for a solicitation of offers from the private sector;
2. A most efficient organization (MEO) which identifies the most efficient way for government employees to perform the function. The MEO typically incorporates improvements over the existing methods of performance; and,
3. A cost estimate, which develops the cost of the MEO, and the ancillary costs of a conversion to contract. The cost estimate is reviewed by an Independent Reviewing Officer (IRO) for adherence to A-76 procedures. After any appropriate adjustments are made, the cost estimate is sealed and submitted to the contracting officer for use in the cost comparison.

Per Navy Policy, management solicits the active participation of the affected employees in the development of the PWS and MEO.

The cognizant Navy contracting officer issues a request for proposal (RFP) from private firms that may be interested in performing the functions identified. The contracting officer selects the most advantageous private sector offer and then compares its costs, including the conversion costs and the costs of contract administration, with the government's cost estimate. If the total cost of contracting is ten percent lower than the government's estimate, the function is tentatively designated for conversion to contract. If not, the MEO is tentatively designated for implementation.

In either case, a final decision is not made until all interested parties have been offered opportunities to review and appeal the results of the cost comparison. All appeals are reviewed by an independent appeals officer, who then makes adjustments as appropriate, and announces the final decision.

Enclosure (2)

INTERNAL WORKING DOCUMENT

Subj: A-76 COMMERCIAL ACTIVITY STUDIES

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Mechanicsburg, part

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